L8: Organizing for improvement
Organizing for improvement

Operations strategy

Planning and control

Organizing for improvement

Operations improvement makes processes better

Risk management stops processes becoming worse
Operations improvement should achieve ‘fit’ between market requirements and operations performance.
Operations improvement should achieve ‘fit’ between market requirements and operations performance (Continued)
Deviation from the line of ‘fit’ can expose the operation to risk

Off the line of fit – operations performance inadequate for market requirements

Off the line of fit – operations performance not exploited in the market
Information for improvement

• The urgency, direction and priorities of improvement will be determined partly by whether the current performance of an operation is judged to be good, bad or indifferent.

• Performance measurement is the process of quantifying action

• Without performance measurement, it would be impossible to exert any control over an operation on an ongoing basis.
Performance measures at different levels of aggregation

- **Broad strategic measures**
- **Functional strategic measures**
- **Composite performance measures**
- **Generic operations performance measures**
- **Some detailed performance measures**

**Overall strategic objectives**
- Market strategic objectives
- Operations strategic objectives
- Financial strategic objectives

**Customer satisfaction**
- Customer query time
- Order lead time
- Throughput time

**Agility**
- Time to market
- Product range

**Resilience**
- Transaction costs
- Labour productivity
- Machine efficiency

**Quality**
- Defects per unit
- Mean time between failures
- Customer query time

**Dependability**
- Lateness complaints
- Order lead time
- Throughput time

**Speed**
- Defects per unit
- Mean time between failures
- Customer query time

**Flexibility**
- Lateness complaints
- Customer query time
- Time to market

**Cost**
- Defects per unit
- Mean time between failures
- Customer query time

**Level of customer complaints level**
- Scrap
- Level of customer complaints
- Defects per unit
- Mean time between failures
- Lateness complaints
- Customer query time
- Order lead time
- Throughput time
- Time to market
- Product range
- Transaction costs
- Labour productivity
- Machine efficiency
Performance measures at different levels of aggregation (Continued)

- Detailed performance measures
- Generic operations performance measures
- Composite performance measures
- Functional strategic measures
- Broad strategic measures

High strategic relevance and aggregation

High diagnostic power and frequency of measurement
To achieve strategic impact, how should we be viewed by customers?

To achieve strategic impact, what aspects of performance should business process excel at?

To achieve strategic impact, how should we be viewed by shareholders?

To achieve strategic impact, how will we build capabilities over time?

Overall strategic objectives

Financial performance measures

Internal process performance measures

Customer performance measures

Learning and growth performance measures

The measures used in the balanced scorecard
Different standards give different messages

- Performance by historical standards is GOOD.
- Performance against improvement goal is POOR.
- Performance against competitors is GOOD.
- Absolute performance is POOR.

Is this performance good or bad?

Absolute performance = 100%
Strategic goal = 95%
Actual performance = 83%
Competitor performance = 75%
Last years average performance = 60%
Types of benchmarking

- *Internal benchmarking* is a comparison between operations or parts of operations which are within the same total organization.

- *External benchmarking* is a comparison between an operation and other operations which are part of a different organization.

- *Non-competitive benchmarking* is benchmarking against external organizations which do not compete directly in the same markets.

- *Competitive benchmarking* is a comparison directly between competitors in the same, or similar, markets.

- *Performance benchmarking* is a comparison between the levels of achieved performance in different operations.

- *Practice benchmarking* is a comparison between an organization’s operations practices, or way of doing things, and those adopted by another operation.
Prioritizing process objectives

Priorities should be determined by

The

IMPORTANCE

of each competitive objective

Your

PERFORMANCE

in each competitive objective

IMPROVEMENT PRIORITIES
The importance of competitive objectives

Order-winning objectives

Qualifying objectives

Less important objectives

Achieved performance

Competitive benefit

$\text{Low}$ $\text{High}$

$\text{+ve}$ $\text{Neutral}$ $\text{-ve}$

Achieved performance

Competitive benefit

$\text{Low}$ $\text{High}$

$\text{+ve}$ $\text{Neutral}$ $\text{-ve}$ $\text{Qualifying level}$

Achieved performance

Competitive benefit

$\text{Low}$ $\text{High}$

$\text{+ve}$ $\text{Neutral}$ $\text{-ve}$
Nine-point importance scale for competitive factors

For this product/service does this performance objective ......

**Order-winning objectives**

1. Provide a crucial advantage with customers.
2. Provide an important advantage with most customers.
3. Provide a useful advantage with most customers.

**Qualifying objectives**

4. Need to be up to good industry standard.
5. Need to be around median industry standard.
6. Need to be within close range of the rest of the industry.

**Less important objectives**

7. Not usually important but could become more so in future.
8. Very rarely rate as being important.
9. Never come into consideration.
Nine-point performance scale for competitive factors

For this product/service is achieved performance .......

Better than competitors:
1. Consistently considerably better than our nearest competitor.
2. Consistently clearly better than our nearest competitor.
3. Consistently marginally better than our nearest competitor.

Similar processes:
4. Often marginally better than most competitors.
5. About the same as most competitors.
   Often close to main competitors.

Worse than competitors:
7. Usually marginally worse than main competitors.
8. Usually worse than most competitors.
   Consistently worse than most competitors.

Same as competitors:
9. Consistently worse than most competitors.
The sandcone model of improvement
Improvement culture

An organization’s ability to improve its operations performance depends to a large extent on its ‘culture’ (i.e. ‘the pattern of shared basic assumptions … that have worked well enough to be considered valid…’ or as some put it, ‘the way we do things around here’).

The elements of organizational culture include:

- the organization’s mission and values;
- its control systems;
- its organizational structures, hierarchies, and processes;
- its power structures;
- its symbols, logos and designs including its symbols of power;
- its rituals, meetings and routines;
- its stories and myths that develop about people and events.
Double loop learning

- Assess operations performance
- Compare performance against objectives
- Learn new insights and capabilities
- Make improvements
- Question relevance of objectives
- Develop new (more relevant) objectives
EFQM ‘Business Excellence’ Model

- Leadership
  - Policy and strategy
  - Partnerships and resources

- People

- Processes
  - People results
  - Customer results
  - Society results

- Key performance results
<table>
<thead>
<tr>
<th>Leadership</th>
<th>People</th>
<th>Processes</th>
<th>People results</th>
<th>Key performance results</th>
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</thead>
<tbody>
<tr>
<td>how leaders develop and facilitate the achievement of the mission and vision, develop values required for long-term success and implement these through appropriate actions and behaviour, and are personally involved in ensuring that the organization’s management system is developed and implemented.</td>
<td>how the organization manages, develops and releases the knowledge and full potential of its people.</td>
<td>how the organization designs, manages and improves its processes in order to support its policy and strategy and fully satisfy, and generate increasing value for its customers and other stakeholders.</td>
<td>this covers employees’ motivation, satisfaction, performance and the services the organization provides for its people.</td>
<td>this shows the financial and non-financial outcomes of the organization’s planned performance, including such things as cash flow, profit, meeting budgets, success rates and the value of intellectual property.</td>
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<td><strong>Policy and strategy</strong> – how the organization implements its mission and vision through clear stakeholder-focused strategy, supported by relevant policies, plans, objectives, targets and processes.</td>
<td><strong>Customer results</strong> – this includes customers’ loyalty and their perceptions of the organization’s image, product and services, sales and after-sales support.</td>
<td><strong>Society results</strong> – this relates to the organization’s performance as a responsible citizen, its involvement in the community in which it operates, and any recognition it might have received.</td>
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<td><strong>Partnerships and resources</strong> – how the organization plans and manages its external partnerships and internal resources to support its policy and strategy and the effective operation of its processes.</td>
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